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MORTGAGE BANKING

APRIL 1989

THE MAGAZINE
OF REAL ESTATE
FINANCE

SECONDARY MARKETING:

What's in the Packages?

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COVER ILLUSTRATION BY LINA CHESAK

Secondary Markets: Risks and Opportunities

What's going on in the secondary market?

Plenty. Two years ago, requests for transfers of issuer responsibility coming into Ginnie Mae were few and far between. Now, according to George Anderson ("The Great Conversion"), there's an avalanche. Why? You may find his answer interesting, just as you may appreciate why Mary Bruce Batte ("Building Servicing Value through Secondary Market Decisions") believes it is a major mistake for secondary marketing executives to overlook the opportunities available in a firm's servicing portfolio. In the area of selling servicing, John S. Hopkins, Jr., explains why value tracking is important. While there are opportunities galore in the secondary market, there's also a good deal of risk, as explained by Henley Saltzburg ("Avoiding Legal Pitfalls"), who details the legal danger zones and how to avoid them.

The latter dangers underscore what both Victor Schlesinger ("Avoiding Mortgage Roulette") and Martin Nass ("Ten Keys to Success in Mortgage Banking") have to say about what mortgage bankers need to do today to prosper in the future. That lesson is also brought home by Howard Schneider who explains how the lessons of consumer selling are being applied to mortgage lending. John J. Jacobs ("Weighing Risks") explains what risks to avoid in a period of high volatility and pervasive pricing competition. Another area not to overlook, according to Peggy Stewart and David Beckerman ("Why a Participating Second Mortgage?") is participation in secondary mortgage packages.

One other offering for April concerns affordable housing. Karen Kollias and Joseph Tockarshewsky ("Affordable Housing") show what an effective housing partnership can accomplish.

Janet Reilley Hewitt
Editor

COMING IN MAY

Single-Family Housing Outlook

Demographics, culture, federal housing and monetary policies—all have a massive impact on single-family housing. In May, a number of experts explore what current trends mean to mortgage bankers. We'll also take a good look at what home builders seek when they select a mortgage company to do business with.

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GNMA servicing transfers have zoomed with "churning" a major cause.

THE GREAT CONVERSION,

or How to Make Something from Nothing

George S. Anderson

The last two years have seen an explosion in transfers of issuer responsibility (TIR), or servicing, from one approved Ginnie Mae issuer to another. The number of transfer requests, the number of pools, and the dollar amount of outstanding securities transferred per month since March 1983, when such statistics were compiled, have all steadily increased. Table 1 illustrates these increases in calendar year 1988, the dollar volume of TIRs was $62 billion, two and a half times that of 1986 and nearly five times that of 1984. Similarly, the increase in the number of TIR requests jumped from 231 in 1986 to 682 in 1988.

The increase in transfers among issuers concerns many observers in the government and the mortgage banking industry. To address this concern it is helpful to examine the history of this practice and some of the possible causes and implications.

Pre-April 1987

From the beginning of the mortgage-backed securities program, Ginnie Mae considered a responsible issuer to be one that either originated or acquired mortgage loans for pooling in Ginnie Mae securities for the explicit purpose of developing a source of long-term servicing income. To Ginnie Mae, the term issuer was synonymous with servicer. Therefore, in the early years of the program, whenever an issuer requested to transfer this all-important servicing responsibility and source of income it was construed as a request to leave the Ginnie Mae MBS program. TIRs prior to 1979 were rare occurrences.

Each request for a TIR had to be accompanied by a business reason for the transfer that indicated it was not a routine, recurring transaction. Ginnie Mae explicitly stated in its approval letters that such transfers could not be a routine or recurring event in the business activities of the issuer. The customary reasons for a TIR were: 1) a consolidation of entities; 2) voluntary termination of issuer status in the Ginnie Mae program; 3) diversification of servicing portfolio; 4) conversion of "off-balance sheet assets" to raise cash; and 5) involuntary termination of issuer status. The common denominator of all these reasons was that each had an infrequent or non-recurring nature.

Throughout the 1983 through 1986 period, mortgage interest rates were on a roller coaster ride with the deep descent beginning in 1986, a boom year for mortgage bankers compared with 1985. Consequently, mortgage bankers were making 49.5 percent more profits on mortgages sold in 1986 than in 1985 while the income from non-recurring gains fell by 60.8 percent over 1985.

Such a decline in the amount of non-recurring gains suggests that issuers were not using sales of servicing as a major source of income during the year. This opinion is bolstered by the fact that the amount of Ginnie Mae servicing transferred in 1986 was nearly equal to that of 1985 at $24.7 billion and $24.6 billion, respectively.

By year-end 1986, FHA mortgage interest rates had fallen to 9.21 percent from 10.70 percent one year earlier. That rate fell to a low of 8.79 percent in January 1987, inched up to 8.94 percent in February and March, and then, without any warning, vaulted to 10.02 percent in April 1987.

Post-April 1987

The full percentage point increase in the FHA rate in April 1987 was followed by another half point jump to 10.5 percent. The rate then remained at that level for the remainder of the year. Ginnie Mae issuers, like most mortgage bankers, traditionally hedged that portion of their production pipeline that was expected to go to actual mortgage closing, that is, potential homebuyers settling on the of-

fered mortgage from the lender. Although no firm figures are available, this proportion has been stated to be about 80 percent of all offered loans. That portion of an issuer's pipeline could be covered by a forward contract with an investor to purchase the Ginnie Mae security at a fixed price at some future date. Such action protects the issuer from interest rate movements during the production period. Some issuers interpreted the 1986 decline in interest rates as a signal to cut costs by not paying the price for a forward contract to deliver securities. That decision must have been based upon a belief that interest rates were stable or would rise gradually.

However, when the mortgage interest rates jumped as dramatically as they did in 1987, most lenders were financially hurt, both the risk-adverse and the risk-taking to varying degrees and consequences. The losses occurred when the 20 percent of homebuyers who normally would not accept the offered mortgage did choose to close in order to obtain a lower interest rate mortgage. Lenders were forced to close home loans at below current market rates without any forward protection from the secondary mortgage market. They were then faced with the costly task of selling a below market interest rate mortgage in a competitive marketplace. In order to obtain current market yield, the market discounted the below market mortgage or security. This meant that the issuer received considerably less than 100 percent for its mortgage or security and experienced an actual overall loss on closed loans.

These secondary market losses or reduced earnings created a severe earnings and cash flow strain on the mortgage banking industry. Many issuers turned to the previously untapped resource of Ginnie Mae servicing, as well as other servicing as a major source of cash for operations.

During 1987, requests for TIRs jumped 58 percent from 231 to 366. Ginnie Mae responded to issuers' requests to transfer servicing of pools that were not finally certified with the Addendum to the Assignment Agreement (AAA) or the famous "yellow sheet." (Final certification of pools is performed by document custodians who state to Ginnie Mae that there is acceptable evidence of FHA insurance or VA guaranty for pooled loans.) The AAA was a three-way agreement among the seller and buyer of pools not finally certified and Ginnie Mae. Both buyer and seller agreed that all pools would be finally certified within 12 months of the transfer date of the pools. A letter of credit issued by a bank with a Moody's long-term deposit rating of A-1 or better was posted as collateral for the timely completion of final certifications by either the seller or the buyer.

On April 5, 1988, Ginnie Mae revised its longstanding policy of discouraging routine TIRs to enable issuers to more freely transfer servicing for pools not finally certified without posting a letter of credit as collateral. Ginnie Mae also formally recognized that TIRs were now a recurring part of issuers' business practices. Issuers were allowed to transfer pools that were no less than three months old nor more than 18 months at time of transfer. Issuers could not transfer pools that were not finally certified more

TABLE 1

Transfers of Issuer Responsibility
for the period 1983 through 1988
As of 1/13/89

Period	Number of Transactions	Number of Pools	Number Dollar Amount of Transfers
03/01/83	8	168	218,556,787.30
04/01/83	12	718	991,611,379.16
05/01/83	16	611	1,748,673,820.90
06/01/83	11	363	701,343,770.05
07/01/83	13	1,010	1,987,199,326.37
08/01/83	6	283	312,456,882.24
09/01/83	23	1,699	3,088,762,541.45
10/01/83	10	216	428,277,562.36
11/01/83	9	234	396,084,416.45
12/01/83	10	253	548,914,466.53
Total	118	5,555	$10,421,880,951.81
01/01/84	18	1,139	2,219,531,769.30
02/01/84	6	103	141,811,336.29
03/01/84	18	427	769,925,228.79
04/01/84	9	189	370,844,381.77
05/01/84	7	48	74,050,102.99
06/01/84	18	437	881,349,885.87
07/01/84	29	1,375	2,232,587,977.82
08/01/84	23	511	785,151,246.76
09/01/84	27	739	1,268,568,311.27
10/01/84	17	1,071	2,124,028,982.12
11/01/84	36	654	1,547,776,076.04
12/01/84	14	329	700,457,416.87
Total	222	7,022	$13,116,082,715.89
01/01/85	30	2,401	5,563,026,057.44
02/01/85	22	881	1,478,488,952.99
03/01/85	22	958	3,860,456,858.45
04/01/85	24	1,154	2,618,697,568.45
05/01/85	10	573	160,211,724.33
06/01/85	24	1,019	1,736,486,528.55
07/01/85	23	815	1,685,781,446.46
08/01/85	11	860	1,445,657,239.58
09/01/85	4	105	267,861,321.55
10/01/85	53	2,319	3,679,166,227.48
11/01/85	5	11	25,248,731.71
12/01/85	30	1,204	2,051,564,237.90
Total	258	12,300	$24,572,646,894.89
01/01/86	17	2,412	4,715,150,024.15
02/01/86	12	665	1,321,904,865.00
03/01/86	12	137	173,382,849.02
04/01/86	25	725	1,023,606,318.83
05/01/86	13	400	562,498,571.06
06/01/86	15	380	863,038,526.55
07/01/86	20	1,049	661,076,247.97
08/01/86	18	2,411	4,466,649,726.16
09/01/86	40	1,231	2,038,472,163.52
10/01/86	9	61	64,262,700.96
11/01/86	31	3,376	5,805,011,487.08
12/01/86	20	2,415	3,033,521,446.24
Total	231	15,262	$24,728,574,926.54
01/01/87	29	2,261	4,713,975,040.53
02/01/87	12	293	362,705,257.73
03/01/87	17	689	875,037,416.48
04/01/87	20	795	1,128,024,973.27
05/01/87	38	659	1,658,889,326.28
06/01/87	19	2,246	4,577,350,008.25
07/01/87	15	485	1,025,781,796.75
08/01/87	9	398	1,685,646,036.73
09/01/87	53	3,585	5,827,453,951.06
10/01/87	0	0	0.00
11/01/87	58	4,494	8,272,129,013.01
12/01/87	96	7,243	12,616,685,450.30
Total	386	23,148	$42,733,678,270.39
01/01/88	44	1,839	4,103,595,218.12
02/01/88	16	341	776,600,440.48
03/01/88	82	3,630	7,468,082,662.96
04/01/88	78	3,144	5,998,593,378.67
05/01/88	63	2,702	4,736,898,641.28
06/01/88	65	2,706	5,473,325,798.50
07/01/88	42	2,452	5,507,542,031.41
08/01/88	72	3,937	7,506,447,397.14
09/01/88	65	2,512	5,390,645,905.12
10/01/88	49	2,871	4,924,064,627.27
11/01/88	61	3,069	4,907,990,107.55
12/01/88	45	2,018	5,276,495,535.81
Total	682	31,221	$62,070,281,744.31
Grand Total	1,877	94,508	$177,643,145,504.83

Note: Transactions include only "sell" actions.
Source: Ginnie Mae

TABLE 2

Summary Comparison of Ratios of Portfolios Bought and Sold
for Calendar Years 1983 through 1988
As of 1/13/89

% Difference Between Amounts Bought & Sold	Number of Issuers					
	1983	1984	1985	1986	1987	1988
0.0-4.99	1	2	2	5	2	9
5.0-9.99	0	1	0	4	0	2
10.0-24.99	0	1	0	1	5	4
25.0-49.99	1	1	3	3	7	18
50.0-99.99	5	14	23	19	43	94
Sub-Total	7	19	28	32	57	127
Sold Only	84	124	139	112	169	246
Bought Only	61	62	83	77	108	112
No Transactions	716	663	618	647	534	383
Number Issuers Buying/Selling	152	205	250	221	334	485

Source: Ginnie Mae

than once until they were finally certified.

Furthermore, Ginnie Mae eliminated the routine practice of requesting extensions for final certification of pools and extended the standard 90-day period for obtaining final certifications to 18 months without extension. Issuers are required to obtain final certification of all pools by the 18th month of its issuance. As a consequence of the liberalized transfer rules, Ginnie Mae found itself deluged by requests to transfer servicing. In order to provide timely service to the issuer community Ginnie Mae automated the transfer process with its Pool Transfer System (PTS) that required issuers to submit requests on a floppy diskette for TIRs involving 10 or more pools.

After the April 1987 interest rate spike, the most often cited reason for requesting a TIR was to provide cash for operations. This change in purpose is evidenced in the MBA's financial statement survey for 1987 where income from net non-recurring gain per firm reporting jumped from $109,000 to $2.123 million for the years 1986 and 1987, respectively. This represented a 1,847 percent increase from one year to the next. When asked, most issuers said that the non-recurring gain was due to the sale of servicing. The MBA's survey also points out that even with the increase in TIRs, profit margins were severely squeezed from 7.05 percent to 3.12 percent.

The question of churning

During 1988, transfers of servicing were not clearly identified with any one particular reason and because Ginnie Mae no longer required issuers to state the reason for the transfer, it is not clear what the driving forces for the TIRs were or continue to be. Due to this lack of specificity, there is room for speculation. One of the major arguments being made today is that issuers are "churning" their portfolios because of the limitations imposed by the accounting rules governing mortgage banking transactions. In particular, this school of thought argues that the combined effect of FASB Statements 65 and 91 is a possible major force behind TIRs. Simply stated, these accounting statements generally prohibit lenders from recognizing the value of mortgage servicing that is originated in-house but does permit recognition of servicing purchased from another lender. Therefore, in order to put an otherwise "non-existent" asset on the books, lenders must sell their servicing and buy servicing from another lender, thereby churning their portfolios.

The drive to put hidden assets on the income statement and balance sheet usually is accomplished by two or more issuers agreeing among themselves to buy each other's servicing. This practice, of course, is a major undertaking that affects many individuals. It has drawn negative attention from the U.S. Congress and is closely watched by the executive branch of government. Furthermore, churning is costly to the participants and adds little, if anything, to the national economy.

Ginnie Mae's database of TIRs was examined to determine if churning could be detected. For this effort, churning was defined as the relative matching of one issuer's simultaneous sale and purchase of servicing within the same calendar year. The more closely the volume of servicing sold matches the volume bought, the easier it is to label it "churning." In order to measure churning, all "buy" and "sell" transactions per issuer per year were accumulated from March 1983 through December 1988. Table 2 illustrates the results of this exercise.

When the 1,877 "sell" and 1,818 "buy" transactions for the subject period were summed by issuer by year, there were 868 different issuers out of Ginnie Mae's program total of 1,900 approved issuers that had either bought or sold Ginnie Mae servicing involving 94,508 pools and $177.6 billion. These totals include both involuntary, as well as voluntary, transfers of servicing. Involuntary TIRs over the study period were fewer than 30 separate events that included all types of issuers.

Table 2 reveals several interesting facts. The number of issuers that were in the market to both buy and sell within the same year increased from 7 in 1983 to 127 in 1988. The number of issuers that matched their sales and purchases of servicing within a 50 percent range went from 2 in 1983 to 33 in 1988. The number of issuers that only bought servicing in a single year moved from 61 to 112, an 84 percent increase, while the number who only sold servicing jumped from 84 to 246, a 193 percent increase. Clearly, 1988 was a buyer's market for Ginnie Mae servicing. Even more dramatic was the increase in the number of issuers that were in the market to either buy or sell servicing. This group leaped from 152 in 1983 to 485 in 1988, a 219 percent increase.

What does all of this mean? Is this conclusive evidence of churning? The data clearly suggest that more issuers are selling their servicing in 1988 than ever before. More issuers are matching their sales of servicing with purchases. And, more issuers are engaged in the act of either buying, selling or doing both with fewer issuers originating and holding servicing.

If the industry average price of 2 percent for Ginnie Mae servicing is applied to the servicing transferred in 1988, the mortgage banking industry converted $62 billion of a "non-existent" asset into approximately $1.2 billion of cash—who said you can't get something for nothing?

The evidence suggests that transferring servicing has become a regular part of issuers' business practices as a source of cash and recognition of servicing value. More issuers are becoming involved in the buying or selling of servicing than in the traditional practice of originating or acquiring mortgage production for the purpose of retaining the servicing. If the trend continues for more issuers to sell their servicing to a smaller group of issuers, there will be increasing concentration of servicing within the industry. There are growing pressures within the economy for greater specialization of functions. This function specialization could result in the mortgage banking industry characterized by two separate and distinct groups—those that primarily originate and those that primarily service.

Churning of portfolios could be eliminated or significantly reduced by adoption of an accepted valuation model for in-house servicing. TIRs made to generate cash for operations will remain an important part of the mortgage banker's normal business practice and will fluctuate inversely with earnings margins. **MB**

George S. Anderson is the director, financial management division, office of mortgage-backed securities, Ginnie Mae.

VITAL STATISTICS

INTEREST RATES & YIELDS

1- TO 4-FAMILY MORTGAGES

	FHA OPINION SURVEY	FHLBB			FNMA		FHLMC	
1988	FHA New Homes[1]	CONVENTIONAL[2] FRM	ARM	Median Cost of Funds FSLIC Institutions	1-Yr. ARM	FRM Conv.	ARMs	FRMs
OCT	10.41%	10.69%	8.58%	7.29%	8.86%	9.97%	8.12%	10.30%
NOV	10.43	10.54	8.76	7.35	9.13	10.22	8.16	10.27
DEC	10.72	10.53	8.78	NA	9.39	10.59	8.40	10.61
JAN	10.75	10.62	8.84	7.40	9.46	10.59	8.55	10.73
FEB	**NA**	**10.81**	**9.07**	**NA**	**10.65**	**9.64**	**8.65**	**10.65**

SELECTED SECURITIES

		PRIME COMMERCIAL PAPER	U.S. GOVERNMENT				
1988	FEDERAL FUNDS RATE	(3-Month)	6-Month	1-Year	3-Year	10-Year	A-Rated Utility
OCT	8.30%	8.24%	7.50%	8.11%	8.43%	8.80%	10.11%
NOV	8.35	8.66	7.86	8.48	8.72	8.96	10.12
DEC	8.76	9.11	8.22	8.99	9.11	9.11	10.08
JAN	9.12	9.04	8.36	9.05	9.20	9.09	10.09
FEB	**9.36**	**9.37**	**8.55**	**9.25**	**9.32**	**9.17**	**10.25**

CURRENT SECONDARY MARKET YIELDS

1988	GNMA[3]	FNMA[3]	FHLMC[3]
NOV	9.98%	9.91%	9.89%
DEC	10.26	10.24	10.22
JAN	10.34	10.30	10.30
FEB	**10.37**	**10.33**	**10.33**

SPREADS
(Basis Points)

	GNMA	FNMA	FHLMC
	Minus 10-Yr. Govt.	Minus 10-Yr. Govt.	Minus 10-Yr. Govt.
NOV	102	95	93
DEC	115	113	111
JAN	125	121	121
FEB	**120**	**116**	**116**

SECONDARY MARKET ACTIVITY
(Dollars in Millions)

	FNMA				FHLMC				GNMA	
	Portfolio		Mortgage-Backed Securities						Pass-Through Securities	
1988	Commitments	Purchases	Outstanding	Issued	Commitments To Sell	Commitments To Buy	Mortgages Purchased	Mortgages Sold	Applications	Issued
OCT	$1,740	$1,488	$170,395	$4,772	$3,850	$5,294	$4,037	$3,674	$5,599	$5,823
NOV	1,289	1,596	174,278	5,405	3,759	7,156	4,109	4,231	6,380	3,886
DEC	1,350	1,726	178,250	5,434	5,888	10,101	5,842	5,511	3,719	4,856
JAN	**1,087**	**1,037**	**180,822**	**4,101**	**NA**	**NA**	**NA**	**NA**	**4,830**	**4,584**
1988 TOTAL	23,435	23,110	---	54,878	43,017	68,650	44,075	39,776	58,579	56,532
1987 TOTAL	25,415	20,531	---	63,230	68,210	76,615	76,840	75,018	116,611	96,983
1 MONTH AVG.[4] 1989	1,087	1,037	---	4,101	NA	NA	NA	NA	4,830	4,584
1988	2,254	1,267	---	1,623	2,096	3,867	2,168	1,832	1,651	4,348
1987	948	1,346	---	6,363	7,455	8,003	7,950	8,215	13,932	10,452

HOUSING ACTIVITY

RESIDENTIAL STRUCTURES

(Units in Thousands, Seasonally Adjusted Annual Rates)

	BY TYPE OF UNIT						BY REGION							
	HOUSING STARTS			BUILDING PERMITS			HOUSING STARTS				BUILDING PERMITS			
1988	Total	1-4 Units	5+ Units	Total	1-4 Units	5+ Units	Northeast	Midwest	South	West	Northeast	Midwest	South	West
OCT	1,532	1,199	333	1,516	1,110	406	198	273	582	479	218	262	564	472
NOV	1,567	1,206	361	1,516	1,129	387	219	275	613	460	205	245	573	493
DEC	1,568	1,189	379	1,564	1,162	404	195	345	598	430	207	257	566	436
JAN	**1,693**	**1,274**	**419**	**1,523**	**1,153**	**370**	**296**	**332**	**616**	**449**	**234**	**301**	**572**	**416**
1988 TOTAL	1,488	1,139	349	1,460	1,082	378	235	273	575	405	232	268	546	413
1987 TOTAL	1,621	1,212	409	1,535	1,114	421	269	298	634	420	272	282	575	406
1 MONTH AVG. (SAAR)														
1989	1,693	1,274	419	1,523	1,153	370	296	332	616	449	234	301	572	416
1988	1,382	1,069	313	1,248	988	260	306	226	463	387	264	230	420	334
1987	1,804	1,324	480	1,692	1,194	498	342	426	587	449	288	353	571	480

HOME SALES

(Units in Thousands)

	EXISTING HOMES			NEW HOMES		
1988	Sold (SAAR)	Available for Sale	Months Supply At Current Sales Rate	Sold (SAAR)	Available for Sale	Months Supply At Current Sales Rate
OCT	3,670	2,925	7.4	718	353	6.1
NOV	3,670	2,550	8.3	658	364	6.8
DEC	3,920	2,160	6.5	671	367	6.7
JAN	**3,630**	**2,260**	**7.5**	**704**	**371**	**6.3**
1988 TOTAL	3,630	---	---	677	---	---
1987 TOTAL	3,526	---	---	671	---	---
12 MONTH AVG. (SAAR)						
1989	3,630	---	---	704	---	---
1988	3,170	---	---	579	---	---
1987	3,520	---	---	719	---	---

VALUE OF NEW PRIVATE CONSTRUCTION PUT IN PLACE

(Units in Billions of 1982 Dollars, Seasonally Adjusted Annual Rates)

Total[3]	1–Unit	2+ Units	Nonresidential
$285.5	$104.7	$19.1	$77.7
288.1	106.7	19.1	77.6
290.4	107.6	19.0	79.1
296.0	**107.9**	**19.7**	**82.6**
282.0	103.6	19.3	78.1
283.0	100.7	22.4	78.2
296.0	107.9	19.7	82.6
280.6	103.5	21.0	76.9
282.3	98.9	25.6	75.6

LENDER ACTIVITY

LONG-TERM MORTGAGE LOANS CLOSED
By Type of Institution and By Type of Unit
(Dollars in Millions)

	1-4 UNITS					5+ UNITS					NONRESIDENTIAL				
1988	Total[5]	Mortgage Bankers	Savings & Loans[7]	Commercial Banks	Life Companies	Total[6]	Mortgage Bankers	Savings & Loans[7]	Commercial Banks	Life Companies	Total[5]	Mortgage Bankers	Savings & Loans[7]	Commercial Banks	Life Companies
AUG	$39,541	$9,057	$20,232	$9,537	$336	$3,368	$278	$1,918	$609	$394	$15,740	$156	$2,175	$11,021	$2,244
SEP	36,328	8,690	18,176	8,737	342	3,405	259	1,933	550	351	10,585	117	1,938	6,263	2,131
OCT	30,578	6,273	16,053	7,586	332	2,707	327	1,559	344	247	15,669	84	2,037	10,501	2,936
NOV	**28,138**	**5,430**	**14,704**	**7,314**	**352**	**3,406**	**600**	**1,605**	**659**	**271**	**11,252**	**23**	**1,496**	**6,546**	**3,090**
1987 TOTAL	449,544	110,093	208,054	124,551	3,209	44,981	2,409	22,492	8,299	3,547	168,652	2,871	25,613	110,490	28,160
1986 TOTAL	455,054	131,628	207,182	108,613	3,814	49,868	7,172	22,769	7,176	3,723	147,374	4,084	27,306	83,929	29,906
11 MONTH AVG.															
1988	31,127	7,168	15,430	7,920	261	3,034	375	16,299	551	303	14,143	73	1,869	9,826	2,192
1987	38,154	9,410	17,571	10,596	281	3,772	210	18,337	697	377	13,504	251	2,055	8,888	2,200
1986	36,852	10,771	16,746	8,692	320	3,815	568	16,731	547	290	11,212	321	183	6,418	2,229

MORTGAGE INSURANCE
(Units in Thousands, Dollars in Millions)

	APPLICATIONS RECEIVED (Units)				LOANS INSURED							
1988	TOTAL	FHA[8]	VA	PRIVATE	TOTAL		FHA		VA		PRIVATE	
					Units	Amount	Units	Amount	Units	Amount	Units	Amount
OCT	135	70	19	46	129	$9,468	75	$4,642	18	$1,389	36	$3,437
NOV	126	69	17	40	92	7,006	41	2,535	18	1,334	33	3,137
DEC	116	58	18	40	106	7,846	57	3,501	18	1,368	31	2,977
JAN	**107**	**60**	**16**	**31**	**121**	**9,008**	**76**	**4,628**	**17**	**1,240**	**28**	**3,140**
1988 TOTAL	1,753	949	210	595	1,421	102,636	776	47,204	211	15,772	434	39,660
1987 TOTAL	2,340	1,211	408	721	2,282	159,668	1,320	81,881	451	33,312	511	44,475
1 MONTH AVG.												
1989	107	60	16	31	176	12,233	96	5,955	38	2,717	42	3,561
1988	---	58	14	38	120	8,246	74	4,453	16	1,143	30	2,650
1987	207	120	41	47	176	12,233	96	5,955	38	2,717	42	3,561

NA—Not Available; SAAR—Seasonally Adjusted Annual Rate

[1]Secondary market gross yields. Numbers shown for each month are the average of yields from the first day of the month shown and the first day of the subsequent month.

[2]Effective rate on loans closed.

[3]Securities for 0 to 30 day delivery.

[4]Average covers one month less for FHLMC.

[5]In addition to the categories of private construction shown, the total also includes these categories: residential improvements, railroads, electric light and power, gas, telephone and telegraph, petroleum pipelines, and farm nonresidential.

[6]In addition to the categories shown, the total also includes private pension funds, private MBS conduits, state and local retirement funds, Federal credit agencies, mortgage pools, and state and local investment agencies.

[7]Savings & Loans and Mutual Savings Banks.

[8]FHA applications received includes the Direct Endorsement Program.